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THE CANADIAN
CONVERTERS'
COMPANY LIMITED

FIFTY-NINTH

ANNUAL REPORT

DECEMBER 31

1964

DIRECTORS
AND
OFFICERS

DIRECTORS:

LAWRENCE FINKELSTEIN
SEYMOUR FINKELSTEIN
WILLIAM A. HUTCHESON, F.C.I.S.
RALPH LEVINE
HARRY DUBIN
CLAUDE BERGER

PRESIDENT

LAWRENCE FINKELSTEIN

GENERAL MANAGER

MAX FINKELSTEIN

VICE-PRESIDENT

SEYMOUR FINKELSTEIN

SECRETARY-TREASURER

WILLIAM A. HUTCHESON, F.C.I.S.

STOCK TRANSFER AGENTS

THE ROYAL TRUST CO., MONTREAL

REGISTRAR OF TRANSFERS

NATIONAL TRUST CO. LTD.,
MONTREAL

THE CANADIAN
CONVERTERS'
COMPANY LIMITED

460 ST. CATHERINE STREET WEST,
MONTREAL, CANADA

Offices serving Canada, the British Commonwealth and foreign markets.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are extremely happy to submit this 59th Report together with the Financial Statements for the year ended December 31st, 1964 as certified by the company's auditors.

The Financial Statements are presented on a consolidated basis to reflect the Company's manufacturing operations. The consolidated net earnings for the year 1964 amounted to \$340,881 after providing \$128,700 for depreciation of fixed assets, \$93,000 for income taxes and \$29,170 for minority interest attributable to the preferred shares of a subsidiary company.

The Company's working capital rose from \$2,042,541 at the end of 1963 to \$2,766,275 at the end of 1964. This increase in working capital is due to reinvestment of profits and the sale of the Company's property on Delorimier Avenue, which funds were used to pay back part of the Company's current bank loans as well as \$325,000 of the bank loan appearing under Long Term Debt on the Balance Sheet.

During 1964 your company continued to make progress with its "Tooke/Van Heusen" subsidiary. Our label is receiving vastly increased recognition from the Canadian Consumer as well as from the retail dealers with whom we do business. Our share of the Canadian Market continued to increase in 1964, and we feel that this increase of market penetration will continue.

Our "Susan Van Heusen" Division has continued to grow and our share of the market has grown with this product as well, though competition has increased tremendously. "Susan Van Heusen" is introducing for Fall 1965 delivery a completely co-ordinated collection of ladies sportswear, which also is being well received by the retailers with whom we deal.

Your company is introducing under both the "Tooke/Van Heusen" and "Susan Van Heusen" labels the sensational new VANOPRESS. This product is the first "Permanent Press Shirt" to be introduced in Canada, the development of which has taken many months of research as well as large sums of money. These products have been sold in huge quantities and will make their appearance on retail counters for the first time in Canada this Fall.

The Company's other manufacturing operations have continued to develop in a satisfactory manner and have contributed to the Company's profitability. These operations are our Standard Shirt Division, which manufactures mens' and boys' furnishings under various labels, the principal ones being BOND STREET and TARRA HALL and our DUCHESS Hosiery Division, which manufactures ladies' seamless nylon hosiery.

The Company's plants have been well maintained physically and the modernization program was continued. This program must continue for many years to come and will entail expenditures well in excess of our annual depreciation provision.

The property that was sold on Delorimier Avenue is being replaced by a new manufacturing building being erected for the company on a twenty-five year lease at very advantageous terms. The most modern of machinery is being purchased for this new plant and engineering studies are being made to insure that it will be the most modern of its kind in Canada.

A new labour contract has been signed which continues until December 31st, 1967, with the Union representing the employees of the Company. This contract will have the effect of sharply increasing our labour rates on a progressive basis over the next three years. It is essential that all possible labour saving machinery be purchased so that we can keep our costs competitive and maintain our position in the market.

The demand for our products continues to grow and our efforts in effecting economies and increased efficiency are showing improved results. There is still much to accomplish and this can only be achieved with the diligence and loyalty of our employees which they demonstrated so well last year.

Submitted on behalf of the Board.

LAWRENCE FINKELSTEIN
President

Montreal, May 18th, 1965

RAPPORT DES DIRECTEURS AUX ACTIONNAIRES

Votre Conseil d'Administration a le plaisir de vous présenter ce 59ième rapport, accompagné des états financiers attesté par les vérificateurs de la Compagnie pour l'année fiscale terminée le 31 décembre 1964.

Les états financiers ont été consolidés pour faire paraître les opérations de fabrication de la Compagnie. Le bénéfice net consolidé pour l'année est \$340,881 après provision de \$128,700 pour dépréciation de l'actif immobilier, \$93,000 pour l'impôt sur le revenu et provision de \$29,170 pour intérêt minoritaire attribuable aux actions préférentielles détenues par une filiale.

Le fonds de roulement augmenta de \$2,042,541 à la fin de l'année 1963 à \$2,766,275 à la fin de 1964. Cette augmentation dans le fonds de roulement est attribuée aux profits de l'année réinvestis dans la Compagnie et la vente de notre propriété sur la rue Delorimier. Ces transactions ont servi à réduire en partie l'emprunt courant à la banque et à rembourser \$325,000 de la dette à long terme indiquée sur le bilan.

Durant l'année 1964, votre Compagnie enregistra le progrès continu de sa filiale, "Tooke/Van Heusen". Cette marque ne cesse d'accroître en popularité sur le marché canadien aussi bien que chez les détaillants que nous desservons. La quote-part de la Compagnie du marché canadien augmenta davantage en 1964, ce qui nous porte à croire que ce surcroît continuera.

La division "Susan Van Heusen" indique aussi un progrès continu et notre quote-part du marché s'accroît davantage, quoique la concurrence soit de plus en plus forte. Pour la saison d'automne de 1965, "Susan Van Heusen" se prépare à présenter une collection entièrement coordonnée de sport pour les dames, laquelle connaît déjà l'accueil de nos détaillants.

Votre Compagnie présente sous ses marques "Tooke/Van Heusen" et "Susan Van Heusen" le sensationnel nouveau VANOPRESS. Ce produit, qui introduit pour la première fois au Canada la fameuse "Chemise repassée en permanence", a demandé plusieurs mois de recherche et des grandes dépenses. Ce nouveau produit a été vendu en grande quantité et sera étalé sur les comptoirs pour la première fois au Canada cet automne.

Les autres services de fabrications de la Compagnie continuent à indiquer un progrès satisfaisant et contribuent aux bénéfices de la Compagnie. Ces opérations comprennent la Division de la chemise, qui fabrique une variété de produits pour homme et garçon sous un nombre de marques, dont BOND STREET et TARRA HALL et la Division du bas DUCHESS, qui fabrique les bas nylon sans couture pour les dames.

Les usines de la Compagnie ont été bien entretenues et le programme de modernisation fut continué. Ce programme doit continuer plusieurs années et demandera des dépenses excédant la provision annuelle pour dépréciation.

La propriété de la rue Delorimier vendue durant l'année sera remplacée par une nouvelle usine de production érigée pour la Compagnie sur un emplacement avec bail de vingt-cinq ans et à termes très avantageux. La machinerie la plus moderne sera installée dans cette nouvelle usine et une étude d'ensemble est en cours pour assurer que cette usine sera la plus moderne au Canada.

Un nouveau contrat de travail conclu avec le syndicat doit terminer le 31 décembre 1967. Cette entente augmentera appréciablement le coût de la main-d'œuvre par degrés jusqu'à la terminaison du contrat. Il devient essentiel d'introduire des machines allégeant le travail pour demeurer compétitif et pour maintenir notre position dans le marché canadien.

Les demandes pour nos produits continuent d'être encourageantes et il apparaît que nos efforts en vue de réaliser des économies et d'augmenter notre productivité aient commencés à porter leurs fruits. Beaucoup reste encore à faire et ceci ne peut être atteint qu'avec la coopération sincère et grâce à la diligence dont nos employés ont fait preuve l'année précédente.

Respectueusement soumis par le Conseil d'Administration.

Le président,

LAWRENCE FINKELSTEIN

Montréal, le 18 mai 1965.



The above shirt in 100% cotton, can be worn in or out.
Blue, pink or yellow on white, about \$7.00.

From the famous shirtmaker for men.

Susan Van Heusen®



the
unwiltable

The Vangard is not one of those wilting, tissue-thin shirts. Why? Because we gave the fabric a bit more body and got a lot more stamina in return. Then we cut this fabric a little more generously. That remarkable Tooke/Van Heusen fit is there,



but you'll never feel hemmed in by the heat. Styled in an easy blend of 65% 'Terylene'/35% cotton, it stays fresh and wrinkle free all day and into the night. Sound good? Good. The Vangard in white, blue and maize. They're just \$5.50 each.

TOOKE/VAN HEUSEN

Tooke/Van Heusen Ltd., 460 St. Catherine St. West, Montreal

THE CANADIAN CONVER

AND ITS CONSOLIDATE

CONSOLIDATED
AS AT DECE

ASSETS

	1964	1963
	\$	\$
CURRENT ASSETS		
Cash	15,084	13,213
Marketable investments — at cost (quoted value \$52,167)	24,605	24,629
Accounts and notes receivable (including directors' and shareholders' accounts of \$18,543)	2,662,110	2,345,606
Inventories — at the lower of cost or net realizable value	2,624,458	2,204,389
Prepaid expenses	32,197	39,967
	5,358,454	4,627,804
BALANCE RECEIVABLE ON SALE PRICE OF PROPERTY		
due in annual instalments of \$10,000, with interest at 5%	60,000	70,000
INVESTMENTS		
Shares — at cost		
Subsidiary company, not consolidated (note 1)	598,336	598,336
Affiliated company	—	32,500
Other	9,043	9,043
	607,379	639,879
PROPERTY, PLANT AND EQUIPMENT (note 2)		
Land, building, machinery and equipment	2,880,978	3,317,013
Accumulated depreciation (note 5)	1,804,557	1,764,562
	1,076,421	1,552,451
GOODWILL, PATENTS AND TRADEMARKS	1	146,998
 SIGNED ON BEHALF OF THE BOARD		
L. FINKELSTEIN, <i>Director</i>		
W. A. HUTCHESON, F.C.I.S., <i>Director</i>		
	7,102,255	7,037,132

ERS' COMPANY LIMITED

SUBSIDIARY COMPANIES

BALANCE SHEET

DECEMBER 31, 1964

LIABILITIES

CURRENT LIABILITIES

Bank advances — secured (note 3)
 Accounts payable and accrued liabilities
 Income and other taxes

1964	1963
\$	\$
1,460,811	1,798,000
947,324	662,462
184,044	124,801
2,592,179	2,585,263

LONG-TERM DEBT

Bank loan — secured (note 3), payable in annual instalments of \$75,000 from December 1, 1965 to 1973
 5-5½% First mortgage loan payable in annual instalments to 1981
 5% Debentures, payable on October 1, 1968
 5% Sinking fund debentures, maturing October 1, 1968 (note 4).
 (included in long-term debt are amounts aggregating \$89,500 due within one year)

675,000	1,000,000
411,500	425,000
79,650	80,700
—	124,680
1,166,150	1,630,380

MINORITY INTEREST IN CONSOLIDATED NET ASSETS —

attributable to preferred shares of a subsidiary company

149,146	—
3,907,475	4,215,643

SHAREHOLDERS' EQUITY

Capital Stock

Authorized —

125,000 Class "A" shares of the par value of \$20 each
 100,000 Class "B" shares of no par value

Issued and fully paid —

69,340 Class "A" shares
 34,670 Class "B" shares

1,386,800	1,386,800
34,670	34,670
1,421,470	1,421,470
1,773,310	1,400,019
3,194,780	2,821,489
7,102,255	7,037,132

RETAINED EARNINGS

THE CANADIAN CONVERTERS' COMPANY LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964 \$	1963 \$
BALANCE — BEGINNING OF YEAR	1,400,019	1,181,769
Provision for depreciation in respect of prior years (note 5)	264,607	—
Goodwill written off	144,688	—
	<hr/> 409,295	<hr/> —
	<hr/> 990,724	<hr/> 1,181,769
Net earnings for the year	340,881	218,250
Profit on sale of fixed assets	441,705	—
	<hr/> 782,586	<hr/> 218,250
BALANCE — END OF YEAR	1,773,310	1,400,019

THE CANADIAN CONVERTERS' COMPANY LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964 \$	1963 \$
Profit before taking into account the undenoted items:	803,514	482,745
Executive remuneration	150,150	104,981
Fees of other directors	500	500
Legal fees	6,109	3,980
Interest on long-term debt	79,195	66,930
Depreciation of fixed assets	128,700	93,341
	364,654	269,732
Investment income	12,639	26,023
Profit on sale of investments	11,552	—
	24,191	26,023
	340,463	243,709
	463,051	239,036
Provision for income taxes		
Current year	203,500	153,286
Reduction on application of losses in prior years	110,500	132,500
	93,000	20,786
	370,051	218,250
Minority interest attributable to preferred shares of a subsidiary company	29,170	—
 NET EARNINGS FOR THE YEAR (note 5)	 340,881	 218,250

THE CANADIAN CONVERTERS' COMPANY LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1964

1. The subsidiary company whose accounts have not been consolidated is Alexander Building Corporation.
2. The fixed assets of the parent company are included at appraisal value as at April 30, 1945 as determined by The Industrial Valuation Co., Ltd. with subsequent additions at cost. The fixed assets of the consolidated subsidiary companies are at cost.
3. The parent company and two of the consolidated subsidiary companies have each authorized and issued \$2,500,000 of 6% secured debentures, payable on demand, as collateral security for repayment of the bank loan and advances of the parent company.
4. In accordance with certain provisions of the Trust Deed under which they were issued, all of the issued and outstanding 5% sinking fund debentures of Tooke Bros. Limited, a subsidiary company, were required to be exchanged for 6% preferred shares of that company.
5. The company has changed the basis on which the provision for depreciation is calculated by increasing the rates applied to certain classes of assets to the maximum permitted by income tax regulations. This has resulted in an additional charge for the current year of approximately \$17,800, with a corresponding reduction of earnings. This change was also applied retroactively to 1956 and accordingly \$264,607 has been charged to retained earnings to adjust the provision in respect of prior years.
6. The parent company is contingently liable as guarantor of repayment of a mortgage loan of \$28,000 previously held by a subsidiary company.
A subsidiary company is contingently liable as guarantor of repayment of a mortgage loan of \$52,621.

MCDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

April 28, 1965

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Canadian Converters' Company Limited and its consolidated subsidiary companies as at December 31, 1964 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Companies Act, we report that during the year the partly owned subsidiary company, which is not consolidated, incurred a loss, which in so far as it concerns the parent company to the extent of \$26,733, has not been reflected in the accounts of the parent company. This loss has been provided for out of the accumulated profits of the subsidiary company.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at December 31, 1964 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change referred to in Note 5 to the consolidated financial statements.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

